

1 Q. I want to show you the next two bates  
2 stamp pages 05212 and 05213. If you would, just  
3 look over those a little bit.

4 A. Okay. This page here?

5 Q. Yes, sir.

6 A. Okay.

7 Q. And there is a signature that appears  
8 on the page that you are looking at, which I  
9 think is page 50213.

10 A. Yes.

11 Q. Is that signature yours?

12 A. Yes.

13 Q. And the date of appears to be 9-04-02.

14 A. September 4, 2002.

15 Q. Okay. Now, we had talked briefly  
16 before about Buzz Telecom and it being a Nevada  
17 corporation, and I want to show you bates  
18 document 05217.

19 A. Okay.

20 Q. And I believe that document confirms  
21 that Buzz Telecom is a Nevada corporation that

1 came into existence in June of 2002?

2 A. Yes.

3 Q. I want to show you some information  
4 that appears following the document that is  
5 entitled, "Application for Certificate of Public  
6 Convenience and Necessity." That page is 05225,  
7 and the next page, 05226 -- specifically, item  
8 seven -- has some ownership percentages there to  
9 reflect yourself at 68 percent and your brother  
10 at 30 percent. And I believe in some earlier  
11 testimony that you have given us, the correct  
12 percentages are 72 and 26?

13 A. That's correct. It's also incorrect  
14 on this other page that you first showed me.  
15 Right above my signature it shows 70 and 28.

16 Q. So at that time, it was 72 and 26 --

17 A. Yes.

18 Q. -- for yourself and your brother?

19 A. Yes.

20 MR. SHOOK: Off the record.

21 (Discussion was held off the record.)

1 Q. Well, speaking of mind-numbing, we get  
2 to 05228, and there is a signature that appears.  
3 And if you could, please identify that.

4 A. That's mine.

5 Q. All right. So even though you signed  
6 this document, the reality of the ownership, at  
7 least, is that it's 72 and 26 percent, and not  
8 30 -- excuse me -- not 68 and 30, as reflected  
9 here?

10 A. That's correct.

11 Q. Now, you had referenced -- When we  
12 were going over those questions and answers,  
13 there was a reference to an Exhibit C, which had  
14 to do with some financial information.

15 A. Okay.

16 Q. There is an Exhibit C, page 05233  
17 continuing on to page 05235.

18 A. Okay.

19 Q. Just take a glance at those, please.

20 A. Okay.

21 Q. First of all, do you have any

1 knowledge as to who prepared those financial  
2 statements?

3 A. My assumption would be Miss Green or  
4 Miss Dennie.

5 Q. And what materials would they have to  
6 rely on in order to prepare such a financial  
7 statement?

8 A. It looks to me that they just ran a  
9 report out of Quick Books.

10 Q. What is Quick Books?

11 A. It's an accounting software program  
12 where you enter checks and income and deposits.

13 Q. So there is raw information, if you  
14 will, in this Quick Books program; and in order  
15 to extract it in some kind of form to prepare a  
16 financial statement, there are some commands that  
17 you can give?

18 A. You punch profit and loss, and then  
19 you enter the dates.

20 Q. Now, with respect to Buzz Telecom, we  
21 understand from the earlier document, that it

1 came into existence in June of 2002. And that  
2 from earlier testimony you have given us, you  
3 know Buzz Telecom is still essentially seeking  
4 authority to operate in various states?

5 A. Yes.

6 Q. So in terms of an income for Buzz  
7 Telecom, is the reality here that the income was  
8 really Business Options income; and that for  
9 reasons, which you can explain, it appears to be  
10 reported in this application as Buzz Telecom  
11 income?

12 A. That would be more of an accounting  
13 question that I would defer to them. But I think  
14 your concept is correct, and that is going back  
15 to our basic plan was to become one telephone  
16 company, to get certified, and have all the  
17 income that we make in one set of financial  
18 documents. Did that answer your question?

19 Q. I think so.

20 A. Okay.

21 Q. So in other words, on page 05235, the

1 top item of ordinary income/expenses for the  
2 period of July 1 through September 11, 2002 --  
3 the figure that appears here for long-- distance,  
4 that would be income that was actually generated  
5 by Business Options, Inc. paying customers?

6 A. Yes.

7 Q. Now, the pages that follow must be  
8 some of the most exciting literature in the  
9 course of human events; that being, the tariff;  
10 okay? I am sorry.

11 A. No, I understand what you are talking  
12 about.

13 Q. There are a number of figures that  
14 appear. And if you could, briefly give us an  
15 idea of what it is these figures are supposed to  
16 represent.

17 A. The first figure is a -- it's for Buzz  
18 Telecom's standard rate, which would be  
19 represented in open network if someone, without  
20 our knowledge, got put on our service. The  
21 second figure is for the Buzz Telecom super-saver

1 program, and that shows an intrastate rate, and  
2 then it has monthly service fee. Then below  
3 that, we have a super-saver program for seniors,  
4 which would be a product we established similar  
5 to a senior citizen discount at a movie.

6 Q. So that figure is slightly lower than  
7 the regular super-saver?

8 A. Yes.

9 Q. You get a better deal when you get a  
10 little older?

11 A. Yeah, exactly. And currently, our  
12 super-saver is 5.9 cents per minute, and our  
13 super-saver for seniors is 5.6 cents per minute,  
14 so it's five or ten percent lower.

15 Q. So the first figure you mentioned is  
16 for the regular super-saver; and the second  
17 figure, the lower figure, is super-saver for  
18 seniors?

19 A. The first figure is open network; the  
20 second figure is our super-saver; the next figure  
21 was our super-- saver for seniors; the fourth

1 would be our business rate; and the fifth is a  
2 rate that our customer service and staff could  
3 give out to someone who wanted to cancel our  
4 service. Or for whatever reason, they could  
5 offer them a better rate.

6 Q. So basically with respect to these  
7 figures that appear in the tariff, these are the  
8 figures that Buzz Telecom plans to charge  
9 whatever customers it can get who will sign  
10 onto --

11 A. Yes.

12 Q. -- the services that are mentioned  
13 here?

14 A. Yes.

15 Q. Now, what is your understanding as to  
16 what flexibility, if any, Buzz Telecom has to  
17 change the figures that appear in this tariff  
18 offering?

19 A. I think we are supposed to file a new  
20 revision of tariff if we want to change our  
21 rates.



1           Q.     Now, following Exhibit F -- Well,  
2 Exhibit F appears to be what is called  
3 "Interested Parties," and that begins on page  
4 05303. There is a fairly substantial list of  
5 entities that extend to page 05322. And as I  
6 said, they are identified as interested parties.

7           A.     Okay.

8           Q.     What is the common thread among all of  
9 these, that you are aware of?

10          A.     I don't know what that list is, but I  
11 know that I commonly get direct mail from them to  
12 enter into the market or changing their service  
13 in the state of Mississippi. I don't know if  
14 they do something different there, but I am  
15 assuming that --

16                 MR. HAWA: May I see that for a  
17 minute?

18                 MR. SHOOK: Sure. Go ahead and finish  
19 answering. I will shed some legal light on it  
20 after you finish answering the question.

21                 WITNESS: That's my answer.

1 MR. HAWA: It's just a service list.  
2 Mississippi requires a list of all service  
3 providers.

4 MR. SHOOK: Thank you.

5 BY MR. SHOOK:

6 Q. Now, another document that you  
7 provided us pursuant to our request for  
8 production begins at page 05196 and extends  
9 through 05200. And it appears to be an order  
10 from the Mississippi Public Service Commission  
11 that grants the application for certificate of  
12 public convenience and necessity filed by Buzz  
13 Telecom. I want you to look at it; and if you  
14 could, please confirm my understanding.

15 A. Okay.

16 Q. So what I handed you, to your  
17 understanding, is an order which grants Buzz  
18 Telecom authority to provide resale of  
19 long-distance telephone service in the state of  
20 Mississippi?

21 A. Yes.

1 Q. And as I understand it, though, Buzz  
2 Telecom has not yet begun to provide such  
3 service?

4 A. To the best of my knowledge, correct.

5 Q. Rather, all such service is still  
6 being provided through Business Options, Inc.?

7 A. Yes.

8 Q. I want to show you a series of  
9 documents, and I am going to ask you a couple of  
10 questions representative to each. The first  
11 document that I am handing you is titled,  
12 "Business Options, Inc., Profit and Loss, January  
13 through December, 1999." And it has bates stamp  
14 numbers 06503 and 06504.

15 A. Okay.

16 Q. Do you have any knowledge as to who  
17 prepared that document?

18 A. No.

19 Q. Do you have any -- What is your  
20 understanding as to whether the income figure  
21 that appears there for Business Options, Inc. is

1 accurate?

2 MR. HAWA: I am going to object. You  
3 asked that question in the context of the tax  
4 returns for the same period of time, and that was  
5 answered. Is there something new here?

6 Q. Well, as far as that goes, it would  
7 probably be appropriate for me to give you the  
8 tax returns so you can look at the two figures.

9 A. Is this document in something?

10 Q. We pulled it out as we found it.

11 A. I mean, was it in a tariff? That  
12 would be my question.

13 Q. Not that I am aware of. It's  
14 conceivable that it was. But given the date --  
15 the date that this was generated, it appears to  
16 have been generated in 2002.

17 A. Okay.

18 Q. And you will note that the income  
19 figure appears to be noticeably different. They  
20 are supposed to cover the same period of time --  
21 the documents are supposed to cover the same

1 period of time, but there appears to be a  
2 substantial discrepancy for the income of  
3 Business Options, Inc. I guess the real question  
4 I have here is whether you had any explanation  
5 for those apparent differences.

6 A. I don't. In this --

7 Q. This, meaning the tax return?

8 A. In the tax return, it looks like I  
9 made a lot more money. So this other is -- I  
10 don't know, but that would be in my favor.

11 Q. From a tax standpoint, probably not.  
12 The next two documents that I am going to hand  
13 you is the 2000 U.S. Income tax return for  
14 Business Options, and then the other document is  
15 bates stamped pages 06505 through 06507.

16 A. Okay.

17 Q. And it bears the title of, "Business  
18 Options Balance Sheet as of December 31, 2000."  
19 If you look at the pages that follow the Business  
20 Options, Inc. profit and loss for the year for  
21 the period of January through December 2000,

1 again you will notice with respect to revenue or  
2 total income revenue that there is a rather  
3 substantial difference between what appears on  
4 the profit and loss statement as opposed to what  
5 appears on the tax form.

6 Now, to help you, perhaps, with an  
7 answer to the question I haven't asked yet, I am  
8 also going to show you the 2000 U.S. Corporate  
9 Income Tax Return for U.S. Bell, and you will  
10 note that the gross receipts figure is rather  
11 close to the income figure that appears on the  
12 profit and loss statement that you are looking  
13 at. My question is, is what you are seeing  
14 consistent of what we were talking about  
15 before -- that although the income was in fact  
16 generated by Business Options, Inc., it was  
17 reported to the federal government, the Internal  
18 Revenue Service, as income for U.S. Bell?

19 A. It would be correct to say that it was  
20 generated by Business Options customers, yes, and  
21 reported as one umbrella, if you will, income

1 grouped together and reported --

2 Q. Reported to the Internal Revenue  
3 Service as income to U.S. Bell instead of income  
4 from Business Options?

5 A. Yeah.

6 Q. This is as much to help us interpret  
7 and understand the differences between these  
8 profit and loss sheets and balance statements --

9 A. Yes.

10 Q. -- and the tax returns.

11 A. Okay. So, yes, the intent of what you  
12 are saying is correct. The income for U.S. Bell,  
13 line one, for gross receipts, is generated by  
14 Business Options customers. And I made a note as  
15 you were going through all this to write a new  
16 policy on financial reports being sent out to be  
17 signed and consistent. Thanks for the bright  
18 idea.

19 Q. Now, with respect to the 2001 U.S.  
20 Corporate Tax Return for U.S. Bell, if you will  
21 note the gross receipts figure on the Business

1 Options, Inc. balance sheet, beginning at 06506,  
2 and the profit and loss statement that appears at  
3 06509 and 06510, you will note that there is a  
4 happy coincidence between the total income figure  
5 that appears for Business Options and the income  
6 that is reported for U.S. Bell.

7 A. I finally have numbers that match.

8 Q. To the dollar, this time.

9 A. Yes. That's good -- we are getting  
10 better.

11 Q. A happy circumstance.

12 A. Yes.

13 Q. And the explanation is --

14 A. The same.

15 Q. -- that the income was generated  
16 through Business Options customers, but it was  
17 reported to the Internal Revenue Service as U.S.  
18 Bell income?

19 A. Yes.

20 Q. All right. Can you tell me what  
21 Crusade Communications, Inc. is?



1           A.     No. Do you have something for me to  
2 take a look at?

3           Q.     Let me show you -- There are three  
4 documents -- one is a 1999 treasury form 1120-S.

5           A.     Uh-huh.

6           Q.     One is a 2000 form bearing the same  
7 number.

8           A.     Okay.

9           Q.     And the final one is a 2001 form  
10 bearing the same number.

11          A.     Okay.

12          Q.     And you will notice that on the first  
13 page, where it has following the letter "B,"  
14 business code number. That number is 454390, the  
15 same number that appears for Business Options,  
16 Inc. So it appears that the entities in question  
17 are doing at least similar business, if not the  
18 same business.

19          A.     Yeah. Crusade Communications is  
20 probably along the line of what U.S. Bell wound  
21 up being. We were attempting to get into the

1 infinity marketing with different groups that  
2 needed to earn revenues. So we were trying to  
3 distribute or market our products through  
4 different groups, and that became Crusade  
5 Communications.

6 Q. What products did Crusade  
7 Communications market?

8 A. They were an agent for Business  
9 Options long-- distance.

10 Q. Oh, okay. So in terms of Crusade  
11 being similar to U.S. Bell, what we are talking  
12 about is an entity that is selling Business  
13 Options products, and it just happens to be  
14 Crusade this time instead of U.S. Bell?

15 A. It's a predecessor to U.S. Bell,  
16 right. I can't recall going back five years what  
17 my thought was, other than I know that we wanted  
18 to market through infinity groups, and Valparaiso  
19 University are the Crusaders and where I live, so  
20 Crusade. I don't know if that's where the name  
21 came from, but --

1 Q. It makes as much sense as anything.

2 A. But to my knowledge, I don't think we  
3 ever tried to get certified as a long-distance  
4 carrier under Crusade Communications.

5 Q. According to the 2001 tax return,  
6 Crusade Communications essentially stopped.

7 A. Yeah. Again, we are trying to put  
8 everything under one company. Any company we  
9 ever incorporated we are -- what's the legal  
10 term?

11 Q. Consolidating?

12 A. Putting to bed, killing.

13 Q. Oh, okay.

14 MR. HAWA: Wind down.

15 Q. All right. We talked briefly about an  
16 entity called USBI before, and I want to ask a  
17 question or two, again related to USBI.

18 A. Sure.

19 Q. Has USBI ever imposed a charge upon a  
20 Business Options, Inc. customer, which charge was  
21 not authorized by Business Options, Inc.?

1           A.     I don't know.

2           Q.     I want to show you an individual's  
3 telephone bill, and perhaps we can find out some  
4 thing relative to that.

5           A.     Okay.

6           Q.     The individual in question is named  
7 Barbara Beeson. She happens to be one of the  
8 people that claimed about having been slammed.

9           A.     Yes.

10          Q.     And the phone bill that I am going to  
11 show you is one that is not complete in the sense  
12 that we are missing some pages here.

13          A.     Okay.

14          Q.     And it also has been cut off in part,  
15 so it's not necessarily easy to read.

16          A.     Okay.

17          Q.     And the page appears to be page five  
18 out of ten pages of a statement for the period  
19 ending April 4, 2002.

20          A.     Okay.

21          Q.     There are a series of figures; and as

1 I said, some of them appear to be cut off, so we  
2 are not going to know with absolute certainty at  
3 this point what they are.

4 A. Okay.

5 Q. But if you could, please take a look  
6 at that, and then I will ask some questions about  
7 it.

8 A. Okay.

9 Q. Okay. The first two charges that  
10 appear toward the top -- if you would, tell me  
11 what your understanding of those two charges are.  
12 And if you have any recollection as to what those  
13 figures are, you could let me know.

14 A. Okay. \$3.75 and \$4.90. One is  
15 monthly service fee, and one is related to "on  
16 behalf of the university" fee.

17 Q. And then with respect to the charges  
18 that appear below that, I take it those are  
19 simply the charges that were imposed for the  
20 long-distance telephone calls that were made as  
21 reflected in the statement?

1 A. Yes.

2 Q. Okay. Now, with respect to the  
3 super-saver monthly charge, that was something  
4 that we had talked about before --

5 A. Yes.

6 Q. -- as being one of the things that you  
7 let a customer know --

8 A. Yes.

9 Q. -- in the marketing script?

10 A. Yes.

11 Q. And it also appears in the  
12 verification script --

13 A. Yes.

14 Q. -- that the individual is going to be  
15 paying \$4.90 a month to obtain the benefits of  
16 the super-saver program?

17 A. Yes.

18 Q. And do you have any knowledge as to  
19 how that \$4.90 is accounted for in terms of  
20 intrastate versus interstate revenue or if it's  
21 accounted for in that fashion at all?

1           A.       I don't know how it was.

2           Q.       Would that be something you believe  
3 your accountant would know?

4           A.       No. I think Mr. Brzycki would know,  
5 or Miss Dennie would know.

6           Q.       Okay.

7           A.       That's something I could find out.

8           Q.       Now, with respect to the Universal  
9 Service Fund usage, which I think you indicated  
10 was probably \$3.70, although the figure is rather  
11 smudged here --

12          A.       Uh-huh.

13          Q.       -- do you have any understanding as to  
14 what portion of that was meant for the state  
15 Universal Service Fund that you indicated you had  
16 to write checks to on a regular basis?

17          A.       We didn't break it down by percentage.  
18 We just charged a flat fee of \$3.75, and then we  
19 paid whatever portion we needed to the states,  
20 and we were also paying to the federal  
21 government, too.

1 Q. Do you know who it was who authorized  
2 USBI to impose that \$3.75 charge?

3 A. I would have had to authorize that, if  
4 that's what you are asking.

5 Q. Well, it may be that ultimately you  
6 would be responsible for it, but my question is  
7 more whether or not you know who authorized it.  
8 And if you are the person that did so, that's  
9 fine.

10 A. It would have been either myself or  
11 Mr. Brzycki. Anything that had to do with  
12 USBI -- We treated USBI similar to the states,  
13 and we handled all of the communication going  
14 back and forth through our regulatory affairs  
15 area, which is where Mr. Brzycki was.

16 Q. Do you have any knowledge as to when  
17 USBI started to collect the Universal Service  
18 charge on behalf of Business Options?

19 A. It was -- I don't know the exact date,  
20 but it was around the time that the "pick-freeze"  
21 stopped being charged, somewhere around that



1 time.

2 Q. If you could explain for our benefit,  
3 what is that charge?

4 A. If the local exchange carrier changed  
5 our customer's service to another service, we  
6 switched them back. We charged our customer, and  
7 we were in turn charged by the underlying  
8 carrier. I think when that stopped, we started  
9 charging a universal charge of an equal amount.

10 Q. In terms of the state universal  
11 service, do you have any recollection as to when  
12 it was you started to write the checks that you  
13 had mentioned before to State Universal Service  
14 Funds?

15 A. I don't recall not writing check to  
16 Universal Service Funds.

17 Q. That's just been part of the business  
18 from as far back as you can remember?

19 A. Yeah.

20 Q. That statement happens to be a little  
21 clearer. This is the statement to Miss Beeson